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FARMERS & MERCHANTS TRUST

ANNUAL REPORT
OCTOBER 31, 1969

OFFICES

CALGARY

EDMONTON

GRANDE PRAIRIE

LETHBRIDGE

MEDICINE HAT

RED DEER

MONTREAL

NASSAU

VANCOUVER

OFFICERS

S. HANEN, *Chairman of the Board*
DONALD A. ROSS, *President*
A. RAYMOND CREPAULT, Q.C., *Vice-President*
NOLAN E. HINMAN, *General Manager*
GORDON C. ENNIS, *Secretary-Treasurer*

DIRECTORS

S. M. BECKHUSON
A. R. CREPAULT, Q.C.
H. HANEN
S. HANEN
D. A. ROSS
D. M. SKINNER

BRANCH MANAGERS

L. E. BURTON
T. A. CHAMPION
L. L. DAVIDSON
P. HURTUBISE
C. A. REMPEL
F. D. SARAGEA
B. B. STONE
J. R. UNSWORTH
G. B. WRIGHT

PRESIDENT'S REPORT FOR 12 MONTH PERIOD ENDED OCTOBER 31st, 1969

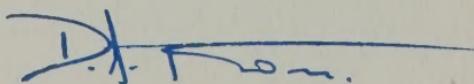
I am pleased to report that the 1969 year reflects the largest increase in business ever recorded in a single year by your company. This growth reflects both the acquisition of Trans Canada Savings and Trust, and internal expansion.

During 1969 interest rates paid rose to record levels, and in consequence your company's operating margins were somewhat lower than anticipated.

Despite the inflationary trend evidenced by the continuing high cost of money, profit prospects for 1970 are favourable and will be improved by any reduction in interest rates.

Your company's continuing growth necessitates the conservation of its capital and for this reason no dividend is contemplated on common shares during 1970.

In closing I wish to express my sincere thanks to all of your company's employees for their unstinting efforts throughout the past year.



DONALD A. ROSS
President

CONSOLIDATED BALANCE SHEET
CAPITAL AND GUARANTEE FUND

Assets

	<u>1969</u>	<u>1968</u>
CASH AND BANK DEPOSIT RECEIPTS	\$ 2,867,926	\$ 1,600,759
INVESTMENT IN MARKETABLE SECURITIES, at cost (Notes 2, 3 and 4):		
Government bonds	5,915,059	4,710,259
Municipal bonds	1,516,256	1,452,994
Corporate bonds	4,862,864	4,111,499
Stocks	4,743,956	2,105,342
	<u>17,038,135</u>	<u>12,380,094</u>
MORTGAGES, AGREEMENTS AND SECURED LOANS	30,465,282	21,691,393
ACCOUNTS RECEIVABLE	151,776	90,368
PROPERTIES HELD FOR SALE	418,318	471,840
LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS, at cost less accumulated depreciation of 1969 - \$113,109; 1968 - \$174,069 (Note 6)	385,303	422,294
OTHER ASSETS	15,606	13,291
EXCESS COST OF SHARES OF SUBSIDIARY OVER NET BOOK VALUE OF ASSETS (Note 5)	83,356	

\$51,425,702 \$36,670,039

APPROVED ON BEHALF OF THE BOARD:

D. J. Farn Director

Raymond Cipolla Director

D. LTD. and Subsidiary Companies

EET — OCTOBER 31, 1969

ED TRUST ACCOUNTS

Liabilities

	<u>1969</u>	<u>1968</u>
GUARANTEED TRUST ACCOUNTS:		
Savings deposits	\$ 8,870,095	\$ 6,748,403
Guaranteed savings certificates	<u>37,838,282</u>	<u>26,493,085</u>
	<u>46,708,377</u>	<u>33,241,488</u>
BANK LOAN		
	56,154	-
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
	192,479	87,473
INCOME TAXES PAYABLE		
	-	52,908
MORTGAGES PAYABLE		
	51,488	69,608
SUBORDINATED CONVERTIBLE NOTE PAYABLE- 7½% (Note 5)		
	395,023	-
DEFERRED INCOME		
	1,636,397	1,093,595
MORTGAGE RESERVE		
	150,000	150,000
SHAREHOLDERS' OWNERSHIP:		
Capital stock-		
Authorized-		
100,000 7% cumulative preference shares of a par value of \$10.00 each		
1,000,000 common shares of a par value of \$1.00 each		
Issued-		
25,000 preference shares	250,000	250,000
804,763 common shares (Note 7)	804,763	799,763
Reserve fund, per statement attached	650,000	500,000
Surplus, per statement attached	<u>531,021</u>	<u>425,204</u>
	<u>2,235,784</u>	<u>1,974,967</u>
	<u><u>\$51,425,702</u></u>	<u><u>\$36,670,039</u></u>

**CONSOLIDATED STATEMENT OF INCOME AND SURPLUS
FOR THE YEAR ENDED OCTOBER 31, 1969**

	<u>1969</u>	<u>1968</u>
Profit before the following	\$ 3,116,232	\$ 2,282,012
Interest on savings deposits and guaranteed savings certificates	2,802,496	1,953,005
Income before provision for income taxes	313,736	329,007
Provision for income taxes	45,700	53,468
Net income for the year	268,036	275,539
Surplus, beginning of year	425,204	317,165
Add:		
Premium on shares issued	10,750	-
	703,990	592,704
Less:		
Transfer to reserve fund	150,000	150,000
Dividends on preference shares	17,500	17,500
Organization costs written off	5,469	-
Surplus, end of year	\$ 531,021	\$ 425,204

**CONSOLIDATED STATEMENT OF RESERVE FUND
FOR THE YEAR ENDED OCTOBER 31, 1969**

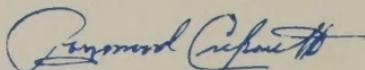
	<u>1969</u>	<u>1968</u>
Balance, beginning of year	\$ 500,000	\$ 350,000
Transfer from surplus	150,000	150,000
Balance, end of year	\$ 650,000	\$ 500,000

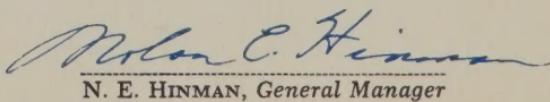
Certificate

(Under the Trust Companies Act, 1967, Sec. 91 (3))

We certify that the financial statements of Farmers & Merchants Trust Co. Ltd. are to the best of our knowledge and belief correct and show truly and clearly the financial condition of the company's affairs.


D. A. Ross, President


A. R. CREPAULT, Vice-President


N. E. HINMAN, General Manager

January 27, 1970
Calgary 1, Alberta

AUDITORS' REPORT

To the Shareholders of
FARMERS & MERCHANTS TRUST CO. LTD.

We have examined the consolidated balance sheet of Farmers & Merchants Trust Co. Ltd. and subsidiary companies as at October 31, 1969 and the consolidated statements of income and surplus and reserve fund for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances including verification of cash, bank balances and securities of the company. All our requirements as auditors have been compiled with.

We report that the financial statements are in agreement with the books of the companies and that, with the exception of the matters referred to in Notes 3 and 4, all transactions of the company that have come within our notice have in our opinion been within the powers of the company.

After due consideration we have formed an independent opinion of the position of the companies as at October 31, 1969 and subject to the realization of the cost values of the investments in marketable securities referred to in Note 2, we report that in our opinion and according to the best of our information and the explanations given to us the accompanying consolidated balance sheet and consolidated statements of income and surplus and reserve fund present fairly the financial position of the companies as at October 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 1969

1. The subsidiary companies, Trans Canada Savings and Trust Corporation, Town & Country Apts. Ltd. and Farmers and Merchants Trust Company (Nassau Office) Limited, are wholly-owned.
2. No provision has been made for the decline in the market value of marketable securities below cost because, in the opinion of management, such decline does not represent a permanent diminution in value. The market values are:

	<u>1969</u>	<u>1968</u>
Government bonds	\$ 5,089,885	\$ 4,290,419
Municipal bonds	1,305,059	1,338,221
Corporate bonds	4,131,773	3,903,402
Stocks	4,346,775	2,130,161
	<u>\$14,873,492</u>	<u>\$11,662,203</u>

3. The amount of common stock investment earmarked for company assets in Farmers & Merchants Trust Co. Ltd. exceeds 25% of capital and reserves as permitted under the Trust Companies Act 1967. The company's total investment in common shares does not exceed the total amount permitted under the Act for company funds and guaranteed trust funds combined.
4. Under the Trust Companies Act 1967 the amount allowable as an investment in the securities of any one company is limited to 15% of capital and reserves. As at October 31, 1969 Farmers & Merchants Trust Co. Ltd. held investments in securities of one company which exceeded 15% of capital and reserves and Trans Canada Savings & Trust Corporation held investments in securities of seven companies, each of which exceeded 15% of capital and reserve.
5. On February 21, 1969 the company purchased all of the outstanding shares of Trans Canada Savings and Trust Corporation. As a part of the consideration for these shares the company issued a 7½% subordinated convertible note due February 21, 1974. Any portion of the principal amount of the note outstanding can be converted by the noteholder into common shares of Farmers & Merchants Trust Co. Ltd. at a price of \$5.00 per share.
6. During the year the company sold all of its furniture and equipment and has leased the furniture and equipment from the purchaser.
7. The company issued 5,000 common shares for a consideration of \$15,750 of which \$10,750 has been credited to surplus as a premium on the issue of shares.

